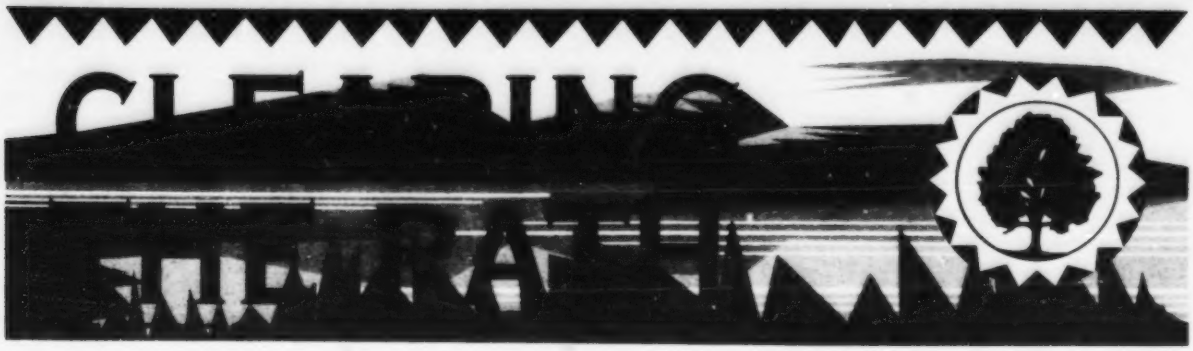

First Nations Tax Commission Progress Report

The Indian Taxation Advisory Board (ITAB) continues to make progress on the development of the First Nations Tax Commission (FNTC). Working with the National Table on Fiscal Relations, the ITAB is engaged in a development process that will advance the objectives of First Nations taxation and expand the level of service to be provided to the First Nations tax system.

This approach is seen as a positive step by First Nations, taxpayers, and Canada as it broadens the base of institutional support for the administration and regulation of First Nations taxation and related services.

The outcome of this work has been the development of a proposed legislative program that would include the creation of the FNTC along with three other complementary but independent institutions: the First Nations Finance Authority (FNFA), providing capital infrastructure financing; the First Nations Financial Management Board (FNFMB), providing financial management standards and services; and the First Nations Statistical Institute (FNSI), providing data collection and management.

Institutional development is essential if First Nations are to provide the services needed to support the fiscal requirements of self-government.

The FNTC will be a regulatory body whose role is to oversee and support the First Nations on-reserve property tax system. Building upon the ITAB's 12 years of experience, the FNTC will work closely with the FNFA to bring down the barriers to long term infrastructure financing for on-reserve projects and to increase services for taxpayers participating in the First Nations economy. Through the coordinated efforts of these institutions and the self-determination of First Nations, the pillars of economic development that have supported local government will now be readily available to First Nations governments.

First Nations Gazette Expanded

The FNTC will expand the services of the First Nations Gazette (Gazette). The Gazette provides widespread notice of aboriginal law. While the main focus is currently on tax laws administered by the ITAB, its publication is seen as an important step in support of self-government. Under the FNTC, the Gazette will be expanded to provide a broader range of publication services ensuring that First

First Nations Gazette ••••
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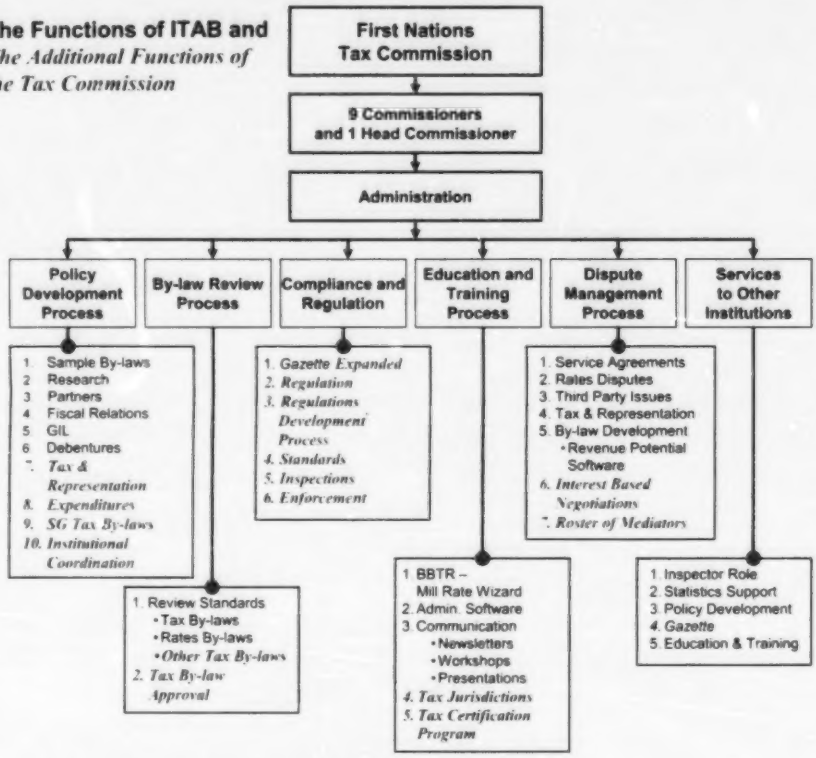
Nations members and their tenants are aware of the First Nation laws affecting them. First Nations with self-government agreements and treaties will also be able to utilize the services of the Gazette in promulgating their laws and codes in accordance with their own requirements. Expanding the scope of the Gazette service from the current focus on taxation legislation will provide a cost effective mechanism that would enable the publication of material such as: self-government acts, treaties, designation notices, land legislation and management agreements, by-laws pursuant to Section 81 of the Indian Act, election notices, and appeals.

PLEASE CIRCULATE

FNTC Builds Upon ITAB Foundation

The Functions of ITAB and *The Additional Functions of the Tax Commission*



The FNTC is a natural next step in the evolution of the ITAB. It will change the organization from an advisory body answering to the Minister into a service agency for First Nations. As a service agency, the FNTC will be a model of First Nation governance. It will represent the collective interests of First Nations and will promote the economic development of First Nations by promoting administrative efficiency and fairness.

New Functions and Services of the FNTC

This chart displays the functions of the ITAB and the new services that will be offered by the FNTC. The following highlights expand upon the services to be delivered:

By-law Approval

The FNTC will take over the authority for approving First Nation tax by-laws from the Minister. It will continue to make available sample by-laws that make it easier for First Nations to draft by-laws that minimize the risk of liability and are consistent with national standards and regulations.

Transparent Policy Development

The FNTC will develop formal procedures for policy development, by-law review, regulation development, and education and training program development. These procedures will expand the opportunity for greater public consultation and ensure all interests are properly considered.

Service Agency with Performance Measures

The FNTC will be committed to delivering quality services to all its clients, including the other fiscal institutions. It will develop performance measures in consultation with its clients and regularly report on its progress. Performance measures will be used to guide the commission in the development of the FNTC work plan.

Dispute Resolution

The FNTC will provide a comprehensive alternative dispute resolution (ADR) process to prevent and resolve disputes. Currently, the ITAB may intervene in disputes to try to facilitate an agreement. The FNTC will have a broader range

New Functions and Services of the FNTC Cont.

of dispute resolution tools including both formal and informal processes. A welcome addition to the current process will be the establishment of a roster of trained mediators that will support dispute resolution with an associated but independent service. The ITAB is currently developing a dispute resolution policy with the support of Consensus Building Institute at the M.I.T. - Harvard Public Disputes Program.

Appeal

The FNTC will continue to ensure that the First Nations tax system provides suitable taxpayer appeal mechanisms with respect to the assessment of taxation. In cases of disputes where the problem cannot be resolved through the commission's ADR process, the option of proceeding through the court system will be available.

Education and Training

The FNTC will continue to provide public education and presentations on First Nations tax systems. It will also establish a training center to ensure that First Nations tax administrations have training available in tax policy, budget and tax rate setting, assessment procedures, account management, capital infrastructure planning, communications, service provisions to taxpayers, and other related subjects. The training center will offer a certificate-based program presented at an academic standard in line with similar professional development programs.

New Commissioners

The FNTC will have two additional First Nation commissioners so that all six regions of the country will be represented. It will also have three taxpayer commissioners representing important interests. This will help build public confidence that this new commission will be fair and considerate of taxpayer interests. Criteria will be established for the commissioners to ensure that the FNTC meets the standard set for national institutions.

Tax and Representation Policy Development

The ITAB policy development process addressing tax and representation has led to the development of discussion papers and a January 24, 2001 conference on tax and representation. The conference was attended by First Nations with tax jurisdiction and included a presentation by Dr. Tim Raybould on the importance of the development of tax associations in providing a representative voice for taxpayer interests.

Dr. Jon Kesselman contributed to the discussion with a detailed presentation on alternative governance structures for First Nations taxation, while Mr. Murray Mollard of the BC Civil Liberties Association offered the association's perspective on First Nations' responsibilities to taxpayers.

First Nations leaders attending the conference provided examples of representation that are currently being used for consultation with taxpayers in considering their interests.

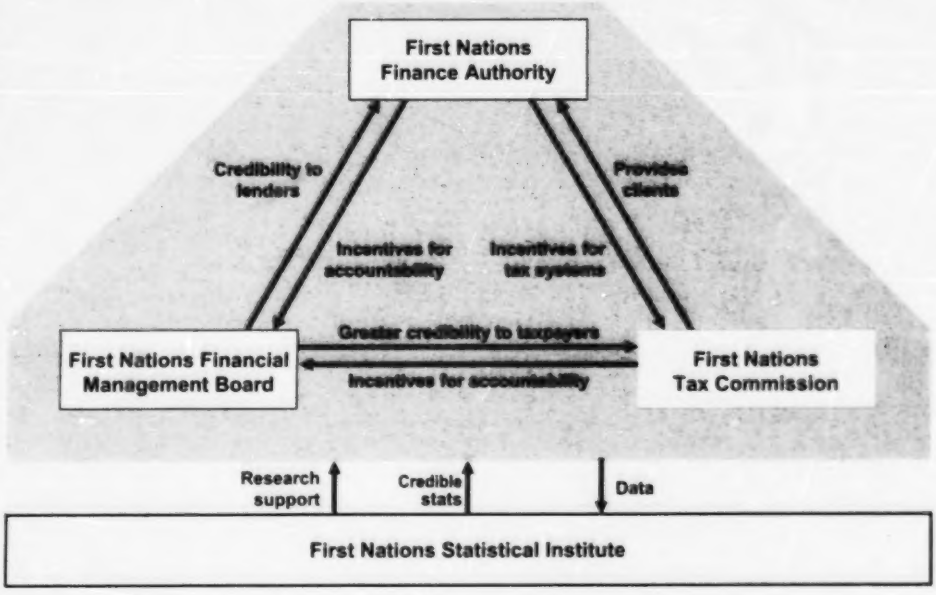
As part of its policy development process, ITAB is reviewing the submissions with a view to developing a taxpayer representation model that would address the concerns of taxpayers and First Nation governments.

Squamish Nation Councillor Harold Calla and Dr. Jon Kesselman exchange views during a break at a recent meeting of First Nations with tax jurisdiction.

In addition to the development of a representation model, the FNTC will protect on-reserve taxpayers' interests through representation on the Commission, a more transparent policy and decision-making process and an enhanced alternative dispute resolution process.

How Fiscal Institutions Work Together

Local governments, who have prospered throughout Canada, enjoy access to international capital markets through taxation supported debentures. First Nations governments currently lack the administrative and regulatory framework to support these opportunities and as a result have been kept out of the market. The fiscal institutions will provide a legislated basis that will enable access to the market for First Nations who wish to participate.



The illustration demonstrates how the fiscal institutions will work together in supporting the financing of capital infrastructure. The FNFA will carry out a borrowing and investing service on behalf of its membership. By supporting the low cost creation of capital infrastructure, the FNFA will provide incentives for the tax system as well as strengthen the requirements for prudent fiscal management. The FMB will assess the financial and administrative management systems of First Nations entering the borrowing pool and provide certification that will verify First Nations' credibility to both lenders and to taxpayers. The FNTC will confirm the integrity of the tax system, the budgetary requirements and the assessment debt ratio required to support a debenture. The FNSI will provide data and statistical services to First Nations which will be used to provide assurance in financial markets.

The FNTC will coordinate its functions and operations with the FNFA, the FMB, and the FNSI to ensure that there is no policy conflict and that the operations of all three are carried out effectively and efficiently. The objective is overall harmony in the systems of taxation and the provision of tax-based financial services.

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